

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

HOUSE BILL 2859

AN ACT

AMENDING SECTIONS 15-1467, 15-1472, 15-1626, 15-1725, 42-5029 AND 42-5031.01,
ARIZONA REVISED STATUTES; RELATING TO BUDGET RECONCILIATION FOR HIGHER
EDUCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1467, Arizona Revised Statutes, is amended to
3 read:

4 15-1467. State aid appropriations; disbursement procedure;
5 district fund

6 A. Appropriations for state aid to districts shall be distributed to
7 each community college district in accordance with section 15-1466.

8 ~~B. On July 15, October 15, January 15 and April 15, each district~~
9 ~~shall present to the department of administration a claim for one fourth of~~
10 ~~the annual amount appropriated to the district. The department of~~
11 ~~administration shall draw a warrant in payment of the claim and transmit the~~
12 ~~warrant to~~ The state treasurer ~~who~~ shall disburse **ONE-FOURTH OF THE ANNUAL**
13 **AMOUNT OF** the ~~funds~~ **MONIES** to each district **IN THE FIRST MONTH OF EACH**
14 **QUARTER** for the support and maintenance of the district, to be expended as
15 provided by law. If no community college exists, the department shall
16 establish a fund for new future districts to be disbursed as needed.

17 C. Notwithstanding subsection B of this section, a district may
18 request the state treasurer to disburse the monies to the local government
19 investment pool for deposit into the district's account as established in
20 section 35-326.

21 Sec. 2. Section 15-1472, Arizona Revised Statutes, is amended to read:

22 15-1472. Community college district workforce development
23 accounts; reports

24 A. Each community college district shall establish a separate
25 workforce development account to receive only tax revenues authorized
26 pursuant to section 42-5029, subsection E, paragraph 3. Each community
27 college district board shall approve the expenditure of these monies in
28 accordance with section 15-1461 and consistent with subsection B of this
29 section.

30 B. Monies received pursuant to subsection A of this section shall be
31 expended for workforce development and job training purposes. These
32 expenditures may include:

33 1. Partnerships with businesses and educational institutions.

34 2. Additional faculty for improved and expanded classroom instruction
35 and course offerings.

36 3. Technology, equipment and technology infrastructure for advanced
37 teaching and learning in classrooms or laboratories.

38 4. Student services such as assessment, advisement and counseling for
39 new and expanded job opportunities.

40 5. The purchase, lease or lease-purchase of real property, for new
41 construction, remodeling or repair of buildings or facilities on real
42 property.

43 C. The state treasurer shall transfer monies under this section into
44 each district's workforce development account by the fifteenth day of each
45 month. The state treasurer shall also allocate and distribute any pooled

1 interest earnings earned from revenues authorized in section 42-5029,
2 subsection E, paragraph 3 to each district in accordance with the method
3 prescribed in subsection D, paragraph 2 of this section.

4 D. Revenues authorized for community college districts in section
5 42-5029, subsection E, paragraph 3 shall be distributed by the state in the
6 following manner:

7 1. For thirteen fiscal years beginning in fiscal year 2001-2002 the
8 state treasurer shall allocate one million dollars per fiscal year for the
9 purpose of bringing this state into compliance with the matching capital
10 requirements prescribed in section 15-1463. The state treasurer shall
11 distribute the monies authorized in this subsection to each district in the
12 order in which each campus qualified for funding pursuant to section 15-1463.

13 2. After the monies have been paid each year to the eligible districts
14 pursuant to paragraph 1 of this subsection, the state treasurer shall
15 distribute monies from the workforce development fund to each community
16 college district in the following manner:

17 (a) Each district shall receive the sum of two hundred thousand
18 dollars. THIS SUBDIVISION DOES NOT APPLY TO A PROVISIONAL COMMUNITY COLLEGE
19 DISTRICT ESTABLISHED PURSUANT TO SECTION 15-1409.

20 (b) After each district has received the payments prescribed in
21 subdivision (a) OF THIS PARAGRAPH, the remainder of monies in the fund shall
22 be distributed to each district according to each district's full-time
23 equivalent student enrollment percentage of the total statewide audited
24 full-time equivalent student enrollment in the preceding fiscal year
25 prescribed in section 15-1466.01. ~~For the purposes of this subdivision, the~~
26 ~~full-time equivalent student enrollment of a provisional community college~~
27 ~~district shall be added to the full-time equivalent student enrollment of the~~
28 ~~community college district that contracts with the provisional community~~
29 ~~college district pursuant to section 15-1409, subsection A, and that portion~~
30 ~~of the monies distributed under this subdivision to that community college~~
31 ~~district shall be used to provide services to students enrolled in that~~
32 ~~provisional community college district as approved by the provisional~~
33 ~~community college district's governing board as part of the annual budget~~
34 ~~process pursuant to section 15-1461. The percentage distribution under this~~
35 ~~subdivision shall be adjusted annually on October 1 of each year. For the~~
36 ~~purposes of this subdivision, the following distribution procedures apply:~~

37 ~~(i) If a community college district established pursuant to section~~
38 ~~15-1402.01 contracts with another community college district pursuant to~~
39 ~~section 15-1402.01, subsection B, the full-time equivalent student enrollment~~
40 ~~of that district shall be added to the full-time equivalent student~~
41 ~~enrollment of the other community college district that contracts with that~~
42 ~~district pursuant to section 15-1402.01, subsection B, and that portion of~~
43 ~~the monies distributed under this subdivision to the other community college~~
44 ~~district shall be used to provide services to students enrolled in the~~
45 ~~community college district established pursuant to section 15-1402.01 as~~

1 ~~approved by that district's governing board as part of the annual budget~~
2 ~~process pursuant to section 15-1461.~~

3 ~~(ii) If a community college district established pursuant to section~~
4 ~~15-1402.01 is no longer required to contract with another community college~~
5 ~~district pursuant to section 15-1402.01, subsection B, that community college~~
6 ~~district shall receive monies as provided in this subdivision according to~~
7 ~~its full-time equivalent student enrollment.~~

8 E. Revenues received by community college districts shall not be used
9 by the legislature to supplant or reduce any state aid authorized in this
10 chapter or supplant any proceeds from the sale of bonds authorized in this
11 article and article 5 of this chapter.

12 F. Monies received under this section shall not be considered to be
13 local revenues for purposes of article IX, section 21, Constitution of
14 Arizona.

15 G. Each community college district or community college that is owned,
16 operated or chartered by a qualifying Indian tribe on its own Indian
17 reservation shall submit a report once every two years of its workforce
18 development plan activities and the expenditures authorized in this section
19 to the governor, president of the senate, speaker of the house of
20 representatives, joint legislative budget committee and ~~department of~~
21 ~~commerce~~ ARIZONA COMMERCE AUTHORITY by December 1 of every even-numbered
22 year. The report shall include the purpose and goals for which the workforce
23 development monies were expended by each district or community college
24 together with a general accounting of the expenditures authorized in
25 subsection B of this section. A copy of the final report shall also be
26 provided to the secretary of state. For the purposes of this subsection,
27 "qualifying Indian tribe" has the same meaning prescribed in section
28 42-5031.01.

29 Sec. 3. Section 15-1626, Arizona Revised Statutes, is amended to read:
30 15-1626. General administrative powers and duties of board

31 A. The board shall:

32 1. Have and exercise the powers necessary for the effective governance
33 and administration of the institutions under its control. To that end, the
34 board may adopt, and authorize each university to adopt, such regulations,
35 policies, rules or measures as are deemed necessary and may delegate in
36 writing to its committees, to its university presidents, or their designees,
37 or to other entities under its control, any part of its authority for the
38 administration and governance of such institutions, including those powers
39 enumerated in section 15-1625, subsection B, paragraphs 2 and 4, paragraphs
40 3, 4, 8, 9, 11 and 12 of this subsection and subsection B of this section.
41 Any delegation of authority may be rescinded by the board at any time in
42 whole or in part.

43 2. Appoint and employ and determine the compensation of presidents
44 with such power and authority and for such purposes in connection with the
45 operation of the institutions as the board deems necessary.

1 3. Appoint and employ and determine the compensation of
2 vice-presidents, deans, professors, instructors, lecturers, fellows and such
3 other officers and employees with such power and authority and for such
4 purposes in connection with the operation of the institutions as the board
5 deems necessary, or delegate its authority pursuant to paragraph 1 of this
6 subsection.

7 4. Remove any officer or employee when the interests of education in
8 this state so require in accordance with its personnel rules and policies.

9 5. Fix tuitions and fees to be charged and differentiate the tuitions
10 and fees between institutions and between residents, nonresidents,
11 undergraduate students, graduate students, students from foreign countries
12 and students who have earned credit hours in excess of the credit hour
13 threshold. For the purposes of this paragraph, the undergraduate credit hour
14 threshold is one hundred forty-five hours for students who attend a
15 university under the jurisdiction of the board. The undergraduate credit
16 hour threshold shall be based on the actual full-time equivalent student
17 enrollment counted on the forty-fifth day of every fall and spring semester,
18 divided by two, and any budget adjustment based on student enrollment shall
19 occur in the fiscal year following the actual full-time equivalent student
20 enrollment count. The undergraduate credit hour threshold shall not apply to
21 degree programs that require credit hours above the credit hour threshold,
22 credits earned in the pursuit of up to two baccalaureate degrees, credits
23 earned in the pursuit of up to two state regulated licensures or
24 certificates, credits earned in the pursuit of teaching certification,
25 credits transferred from a private institution of higher education, credits
26 transferred from an institution of higher education in another state, credits
27 earned at another institution of higher education but that are not accepted
28 as transfer credits at the university where the student is currently enrolled
29 and credits earned by students who enroll at a university under the
30 jurisdiction of the board more than twenty-four months after the end of that
31 student's previous enrollment at a public institution of higher education in
32 this state. On or before October 15 of each year, the board shall report to
33 the joint legislative budget committee the number of students who were
34 enrolled at universities under the jurisdiction of the board during the
35 previous fiscal year who met or exceeded the undergraduate credit hour
36 threshold prescribed in this paragraph. The amount of tuition, registration
37 fees and other revenues included in the operating budget for the university
38 adopted by the board as prescribed in paragraph 13 of this subsection shall
39 be deposited, pursuant to sections 35-146 and 35-147. All other tuition and
40 fee revenue shall be retained by each university for expenditure as approved
41 by the board, except that the universities shall not use any tuition or fee
42 revenue to fund or support an alumni association.

43 6. Except as provided in subsection I of this section, adopt rules to
44 govern its tuition and fee setting process that provide for the following:

1 (a) At least one public hearing at each university as an opportunity
2 for students and members of the public to comment on any proposed increase in
3 tuition or fees.

4 (b) Publication of the notice of public hearing at least ten days
5 prior to the hearing in a newspaper of general circulation in Maricopa
6 county, Coconino county and Pima county. The notice shall include the date,
7 time and location of the public hearing.

8 (c) Public disclosure by each university of any proposed increases in
9 tuition or fees at least ten days prior to the public hearing.

10 (d) Final board action on changes in tuition or fees shall be taken by
11 roll call vote.

12 The procedural requirements of subdivisions (a), (b), (c) and (d) of this
13 paragraph apply only to those changes in tuition or fees that require board
14 approval.

15 7. Pursuant to section 35-115, submit a budget request for each
16 institution under its jurisdiction that includes the estimated tuition and
17 fee revenue available to support the programs of the institution as described
18 in the budget request. The estimated available tuition and fee revenue shall
19 be based on the tuition and registration fee rates in effect at the time the
20 budget request is submitted with adjustments for projected changes in
21 enrollment as provided by the board.

22 8. Establish curriculums and designate courses at the several
23 institutions that in its judgment will best serve the interests of this
24 state.

25 9. Award such degrees and diplomas on the completion of such courses
26 and curriculum requirements as it deems appropriate.

27 10. Prescribe qualifications for admission of all students to the
28 universities. The board shall establish policies for guaranteed admission
29 that assure fair and equitable access to students in this state from public,
30 private and charter schools and homeschools. For the purpose of determining
31 the qualifications of honorably discharged veterans, veterans are those
32 persons who served in the armed forces for a minimum of two years and who
33 were previously enrolled at a university or community college in this state.
34 No prior failing grades received by the veteran at the university or
35 community college in this state may be considered.

36 11. Adopt any energy conservation standards promulgated by the
37 department of administration for the construction of new buildings.

38 12. Employ for such time and purposes as the board requires attorneys
39 whose compensation shall be fixed and paid by the board. Litigation to which
40 the board is a party and for which self-insurance is not provided may be
41 compromised or settled at the direction of the board.

42 13. Adopt annually an operating budget for each university equal to the
43 sum of appropriated general fund monies and the amount of tuition,
44 registration fees and other revenues approved by the board and allocated to
45 each university operating budget.

1 14. In consultation with the state board of education and other
2 education groups, develop and implement a program to award honors
3 endorsements to be affixed to the high school diplomas of qualifying high
4 school pupils and to be included in the transcripts of pupils who are awarded
5 endorsements. The board shall develop application procedures and testing
6 criteria and adopt testing instruments and procedures to administer the
7 program. In order to receive an honors endorsement, a pupil must demonstrate
8 an extraordinary level of knowledge, skill and competency as measured by the
9 testing instruments adopted by the board in mathematics, English, science and
10 social studies. Additional subjects may be added at the determination of the
11 board. The program is voluntary for pupils.

12 15. Require the publisher of each literary and nonliterary textbook
13 used in the universities of this state to furnish computer software in a
14 standardized format when software becomes available for nonliterary textbooks
15 to the Arizona board of regents from which braille versions of the textbooks
16 may be produced.

17 16. Require universities that provide a degree in education to require
18 courses that are necessary to obtain a provisional structured English
19 immersion endorsement as prescribed by the state board of education.

20 17. Acquire United States flags for each classroom that are
21 manufactured in the United States and that are at least two feet by three
22 feet and hardware to appropriately display the United States flags, acquire a
23 legible copy of the Constitution of the United States and the Bill of Rights,
24 display the flags in each classroom in accordance with title 4 of the United
25 States Code and display a legible copy of the Constitution of the United
26 States and the Bill of Rights adjacent to the flag.

27 18. To facilitate the transfer of military personnel and their
28 dependents to and from the public schools of this state, pursue, in
29 cooperation with the state board of education, reciprocity agreements with
30 other states concerning the transfer credits for military personnel and their
31 dependents. A reciprocity agreement entered into pursuant to this paragraph
32 shall:

33 (a) Address procedures for each of the following:

34 (i) The transfer of student records.

35 (ii) Awarding credit for completed course work.

36 (iii) Permitting a student to satisfy the graduation requirements
37 prescribed in section 15-701.01 through the successful performance on
38 comparable exit-level assessment instruments administered in another state.

39 (b) Include appropriate criteria developed by the state board of
40 education and the Arizona board of regents.

41 19. Require a university to publicly post notices of all of its
42 employment openings, including the title and description, instructions for
43 applying and relevant contact information.

44 20. In consultation with the community college districts in this state,
45 develop and implement common equivalencies for specific levels of achievement

1 on advanced placement examinations and international baccalaureate
2 examinations in order to award commensurate postsecondary academic credits at
3 community colleges and public universities in this state.

4 21. On or before August 1 of each year, report to the joint legislative
5 budget committee the graduation rate by university campus during the previous
6 fiscal year. The board shall also report the retention rate by university
7 campus and by class, as determined by date of entry during the previous
8 fiscal year.

9 B. The board shall adopt personnel rules. All nonacademic employees
10 of the universities are subject to these rules except for university
11 presidents, university vice-presidents, university deans, legal counsel and
12 administrative officers. The personnel rules shall be similar to the
13 personnel rules under section 41-783. The rules shall include provisions for
14 listing available positions with the department of economic security,
15 competitive employment processes for applicants, probationary status for new
16 nonacademic employees, nonprobationary status on successful completion of
17 probation and due process protections of nonprobationary employees after
18 discharge. The board shall provide notice of proposed rule adoption and an
19 opportunity for public comment on all personnel rules proposed for adoption.

20 C. In conjunction with the auditor general, the board shall develop a
21 uniform accounting and reporting system, which shall be reviewed by the joint
22 legislative budget committee before final adoption by the board. The board
23 shall require each university to comply with the uniform accounting and
24 reporting system.

25 D. The board may employ legal assistance in procuring loans for the
26 institutions from the United States government. Fees or compensation paid
27 for such legal assistance shall not be a claim on the general fund of this
28 state but shall be paid from funds of the institutions.

29 E. The board shall approve or disapprove any contract or agreement
30 entered into by the university of Arizona hospital with the Arizona health
31 facilities authority.

32 F. The board may adopt policies that authorize the institutions under
33 its jurisdiction to enter into employment contracts with nontenured employees
34 for periods of more than one year but not more than five years. The policies
35 shall prescribe limitations on the authority of the institutions to enter
36 into employment contracts for periods of more than one year but not more than
37 five years, including the requirement that the board approve the contracts.

38 G. The board may adopt a plan or plans for employee benefits that
39 allow for participation in a cafeteria plan that meets the requirements of
40 the United States internal revenue code of 1986.

41 H. The board may establish a program for the exchange of students
42 between the universities under the jurisdiction of the board and colleges and
43 universities located in the state of Sonora, Mexico. Notwithstanding
44 subsection A, paragraph 5 of this section, the program may provide for
45 in-state tuition at the universities under the jurisdiction of the board for

1 fifty Sonoran students in exchange for similar tuition provisions for up to
2 fifty Arizona students enrolled or seeking enrollment in Sonoran colleges or
3 universities. The board may direct the universities to work in conjunction
4 with the Arizona-Mexico commission to coordinate recruitment and admissions
5 activities.

6 I. Subsection A, paragraph 6, subdivisions (a), (b), (c) and (d) of
7 this section do not apply to fee increases that are set by individual
8 universities and that do not require approval by the Arizona board of regents
9 before the fee increase becomes effective.

10 J. ON OR BEFORE JULY 1, 2012, THE ARIZONA BOARD OF REGENTS, IN
11 COLLABORATION WITH THE UNIVERSITIES UNDER ITS JURISDICTION, SHALL ADOPT A
12 PERFORMANCE FUNDING MODEL. THE PERFORMANCE FUNDING MODEL SHALL USE
13 PERFORMANCE METRICS THAT INCLUDE THE INCREASE IN DEGREES AWARDED, THE
14 INCREASE IN COMPLETED STUDENT CREDIT HOURS AND THE INCREASE IN EXTERNALLY
15 GENERATED RESEARCH AND PUBLIC SERVICE FUNDING. THE FUNDING FORMULA MAY GIVE
16 ADDED WEIGHT TO DEGREES RELATED TO SCIENCE, TECHNOLOGY, ENGINEERING AND
17 MATHEMATICS AND OTHER HIGH-VALUE DEGREES THAT ARE IN SHORT SUPPLY OR THAT ARE
18 ESSENTIAL TO THIS STATE'S LONG-TERM ECONOMIC DEVELOPMENT STRATEGY.

19 K. THE ARIZONA BOARD OF REGENTS SHALL USE THE PERFORMANCE FUNDING
20 MODEL ADOPTED PURSUANT TO SUBSECTION J OF THIS SECTION IN DEVELOPING AND
21 SUBMITTING BUDGET REQUESTS FOR THE UNIVERSITIES UNDER ITS JURISDICTION.

22 Sec. 4. Section 15-1725, Arizona Revised Statutes, is amended to read:
23 15-1725. Medical student loan fund

24 A. The medical student loan fund is established. THE DEPARTMENT OF
25 HEALTH SERVICES SHALL ADMINISTER THE FUND. ~~All monies appropriated to carry~~
26 ~~out sections 15-1723 and 15-1724 shall be deposited in the fund, and~~ All
27 payments of principal and interest ~~received by the board~~ shall be deposited,
28 pursuant to sections 35-146 and 35-147, in the fund. Monies in the fund are
29 continuously appropriated ~~for use by the board~~ FOR THE PURPOSES PRESCRIBED IN
30 SECTION 36-2172.

31 B. Monies in the medical student loan fund are exempt from the
32 provisions of section 35-190 relating to lapsing of appropriations.

33 Sec. 5. Section 42-5029, Arizona Revised Statutes, is amended to read:
34 42-5029. Remission and distribution of monies; definition

35 A. The department shall deposit, pursuant to sections 35-146 and
36 35-147, all revenues collected under this article and articles 4, 5 and 8 of
37 this chapter pursuant to section 42-1116, separately accounting for:

- 38 1. Payments of estimated tax under section 42-5014, subsection D.
- 39 2. Revenues collected pursuant to section 42-5070.

40 3. Revenues collected under this article and article 5 of this chapter
41 from and after June 30, 2000 from sources located on Indian reservations in
42 this state.

43 4. Revenues collected pursuant to section 42-5010, subsection G and
44 section 42-5155, subsection D.

1 B. The department shall credit payments of estimated tax to an
2 estimated tax clearing account and each month shall transfer all monies in
3 the estimated tax clearing account to a fund designated as the transaction
4 privilege and severance tax clearing account. The department shall credit
5 all other payments to the transaction privilege and severance tax clearing
6 account, separately accounting for the monies designated as distribution base
7 under sections 42-5010, 42-5164, 42-5205 and 42-5353. Each month the
8 department shall report to the state treasurer the amount of monies collected
9 pursuant to this article and articles 4, 5 and 8 of this chapter.

10 C. On notification by the department, the state treasurer shall
11 distribute the monies deposited in the transaction privilege and severance
12 tax clearing account in the manner prescribed by this section and by sections
13 42-5164, 42-5205 and 42-5353, after deducting warrants drawn against the
14 account pursuant to sections 42-1118 and 42-1254.

15 D. Of the monies designated as distribution base the department shall:

16 1. Pay twenty-five per cent to the various incorporated municipalities
17 in this state in proportion to their population to be used by the
18 municipalities for any municipal purpose.

19 2. Pay 38.08 per cent to the counties in this state by averaging the
20 following proportions:

21 (a) The proportion that the population of each county bears to the
22 total state population.

23 (b) The proportion that the distribution base monies collected during
24 the calendar month in each county under this article, section 42-5164,
25 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
26 total distribution base monies collected under this article, section 42-5164,
27 subsection B, section 42-5205, subsection B and section 42-5353 throughout
28 the state for the calendar month.

29 3. Pay an additional 2.43 per cent to the counties in this state as
30 follows:

31 (a) Average the following proportions:

32 (i) The proportion that the assessed valuation used to determine
33 secondary property taxes of each county, after deducting that part of the
34 assessed valuation that is exempt from taxation at the beginning of the month
35 for which the amount is to be paid, bears to the total assessed valuations
36 used to determine secondary property taxes of all the counties after
37 deducting that portion of the assessed valuations that is exempt from
38 taxation at the beginning of the month for which the amount is to be paid.
39 Property of a city or town that is not within or contiguous to the municipal
40 corporate boundaries and from which water is or may be withdrawn or diverted
41 and transported for use on other property is considered to be taxable
42 property in the county for purposes of determining assessed valuation in the
43 county under this item.

1 (ii) The proportion that the distribution base monies collected during
2 the calendar month in each county under this article, section 42-5164,
3 subsection B, section 42-5205, subsection B and section 42-5353 bear to the
4 total distribution base monies collected under this article, section 42-5164,
5 subsection B, section 42-5205, subsection B and section 42-5353 throughout
6 the state for the calendar month.

7 (b) If the proportion computed under subdivision (a) of this paragraph
8 for any county is greater than the proportion computed under paragraph 2 of
9 this subsection, the department shall compute the difference between the
10 amount distributed to that county under paragraph 2 of this subsection and
11 the amount that would have been distributed under paragraph 2 of this
12 subsection using the proportion computed under subdivision (a) of this
13 paragraph and shall pay that difference to the county from the amount
14 available for distribution under this paragraph. Any monies remaining after
15 all payments under this subdivision shall be distributed among the counties
16 according to the proportions computed under paragraph 2 of this subsection.

17 4. After any distributions required by sections 42-5030, 42-5030.01,
18 42-5031, 42-5032 and 42-5032.01, and after making any transfer to the water
19 quality assurance revolving fund as required by section 49-282, subsection B,
20 credit the remainder of the monies designated as distribution base to the
21 state general fund. From this amount:

22 (a) The legislature shall annually appropriate to:

23 (i) The department of revenue sufficient monies to administer and
24 enforce this article and articles 5 and 8 of this chapter.

25 (ii) The department of economic security monies to be used for the
26 purposes stated in title 46, chapter 1.

27 (iii) The firearms safety and ranges fund established by section
28 17-273, fifty thousand dollars derived from the taxes collected from the
29 retail classification pursuant to section 42-5061 for the current fiscal
30 year.

31 (b) Subject to separate initial legislative authorization, each year
32 the state treasurer shall transfer to the tourism fund an amount equal to the
33 sum of the following:

34 (i) Three and one-half per cent of the gross revenues derived from the
35 transient lodging classification pursuant to section 42-5070 during the
36 preceding fiscal year.

37 (ii) Three per cent of the gross revenues derived from the amusement
38 classification pursuant to section 42-5073 during the preceding fiscal year.

39 (iii) Two per cent of the gross revenues derived from the restaurant
40 classification pursuant to section 42-5074 during the preceding fiscal year.

41 E. If approved by the qualified electors voting at a statewide general
42 election, all monies collected pursuant to section 42-5010, subsection G and
43 section 42-5155, subsection D shall be distributed each fiscal year pursuant
44 to this subsection. The monies distributed pursuant to this subsection are
45 in addition to any other appropriation, transfer or other allocation of

1 public or private monies from any other source and shall not supplant,
2 replace or cause a reduction in other school district, charter school,
3 university or community college funding sources. The monies shall be
4 distributed as follows:

5 1. If there are outstanding state school facilities revenue bonds
6 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
7 amount that is necessary to pay the fiscal year's debt service on outstanding
8 state school improvement revenue bonds for the current fiscal year shall be
9 transferred each month to the school improvement revenue bond debt service
10 fund established by section 15-2084. The total amount of bonds for which
11 these monies may be allocated for the payment of debt service shall not
12 exceed a principal amount of eight hundred million dollars exclusive of
13 refunding bonds and other refinancing obligations.

14 2. After any transfer of monies pursuant to paragraph 1 of this
15 subsection, twelve per cent of the remaining monies collected during the
16 preceding month shall be transferred to the technology and research
17 initiative fund established by section 15-1648 to be distributed among the
18 universities for the purpose of investment in technology and research-based
19 initiatives.

20 3. After the transfer of monies pursuant to paragraph 1 of this
21 subsection, three per cent of the remaining monies collected during the
22 preceding month shall be transferred to the workforce development account
23 established in each community college district pursuant to section 15-1472
24 for the purpose of investment in workforce development programs.

25 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
26 subsection, one-twelfth of the amount a community college that is owned,
27 operated or chartered by a qualifying Indian tribe on its own Indian
28 reservation would receive pursuant to section 15-1472, subsection D,
29 paragraph 2 if it were a community college district shall be distributed each
30 month to the treasurer or other designated depository of a qualifying Indian
31 tribe. Monies distributed pursuant to this paragraph are for the exclusive
32 purpose of providing support to one or more community colleges owned,
33 operated or chartered by a qualifying Indian tribe and shall be used in a
34 manner consistent with section 15-1472, subsection B. For the purposes of
35 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
36 section 42-5031.01, subsection D.

37 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
38 subsection, one-twelfth of the following amounts shall be transferred each
39 month to the department of education for the increased cost of basic state
40 aid under section 15-971 due to added school days and associated teacher
41 salary increases enacted in 2000:

- 42 (a) In fiscal year 2001-2002, \$15,305,900.
- 43 (b) In fiscal year 2002-2003, \$31,530,100.
- 44 (c) In fiscal year 2003-2004, \$48,727,700.
- 45 (d) In fiscal year 2004-2005, \$66,957,200.

1 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
2 \$86,280,500.

3 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
4 subsection, seven million eight hundred thousand dollars is appropriated each
5 fiscal year, to be paid in monthly installments, to the department of
6 education to be used for school safety as provided in section 15-154 and two
7 hundred thousand dollars is appropriated each fiscal year, to be paid in
8 monthly installments to the department of education to be used for the
9 character education matching grant program as provided in section 15-154.01.

10 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
11 subsection, no more than seven million dollars may be appropriated by the
12 legislature each fiscal year to the department of education to be used for
13 accountability purposes as described in section 15-241 and title 15, chapter
14 9, article 8.

15 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
16 subsection, one million five hundred thousand dollars is appropriated each
17 fiscal year, to be paid in monthly installments, to the failing schools
18 tutoring fund established by section 15-241.

19 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
20 subsection, twenty-five million dollars shall be transferred each fiscal year
21 to the state general fund to reimburse the general fund for the cost of the
22 income tax credit allowed by section 43-1072.01.

23 10. After the payment of monies pursuant to paragraphs 1 through 9 of
24 this subsection, the remaining monies collected during the preceding month
25 shall be transferred to the classroom site fund established by section
26 15-977. The monies shall be allocated as follows in the manner prescribed by
27 section 15-977:

28 (a) Forty per cent shall be allocated for teacher compensation based
29 on performance.

30 (b) Twenty per cent shall be allocated for increases in teacher base
31 compensation and employee related expenses.

32 (c) Forty per cent shall be allocated for maintenance and operation
33 purposes.

34 F. The department shall credit the remainder of the monies in the
35 transaction privilege and severance tax clearing account to the state general
36 fund, subject to any distribution required by section 42-5030.01.

37 G. Notwithstanding subsection D of this section, if a court of
38 competent jurisdiction finally determines that tax monies distributed under
39 this section were illegally collected under this article or articles 5 and 8
40 of this chapter and orders the monies to be refunded to the taxpayer, the
41 department shall compute the amount of such monies that was distributed to
42 each city, town and county under this section. The department shall notify
43 the state treasurer of that amount plus the proportionate share of additional
44 allocated costs required to be paid to the taxpayer. Each city's, town's and
45 county's proportionate share of the costs shall be based on the amount of the

1 original tax payment each municipality and county received. Each month the
2 state treasurer shall reduce the amount otherwise distributable to the city,
3 town and county under this section by one thirty-sixth of the total amount to
4 be recovered from the city, town or county until the total amount has been
5 recovered, but the monthly reduction for any city, town or county shall not
6 exceed ten per cent of the full monthly distribution to that entity. The
7 reduction shall begin for the first calendar month after the final
8 disposition of the case and shall continue until the total amount, including
9 interest and costs, has been recovered.

10 H. On receiving a certificate of default from the greater Arizona
11 development authority pursuant to section 41-2257 or 41-2258 and to the
12 extent not otherwise expressly prohibited by law, the state treasurer shall
13 withhold from the next succeeding distribution of monies pursuant to this
14 section due to the defaulting political subdivision the amount specified in
15 the certificate of default and immediately deposit the amount withheld in the
16 greater Arizona development authority revolving fund. The state treasurer
17 shall continue to withhold and deposit the monies until the greater Arizona
18 development authority certifies to the state treasurer that the default has
19 been cured. In no event may the state treasurer withhold any amount that the
20 defaulting political subdivision certifies to the state treasurer and the
21 authority as being necessary to make any required deposits then due for the
22 payment of principal and interest on bonds of the political subdivision that
23 were issued before the date of the loan repayment agreement or bonds and that
24 have been secured by a pledge of distributions made pursuant to this section.

25 I. Except as provided by sections 42-5033 and 42-5033.01, the
26 population of a county, city or town as determined by the most recent United
27 States decennial census plus any revisions to the decennial census certified
28 by the United States bureau of the census shall be used as the basis for
29 apportioning monies pursuant to subsection D of this section.

30 J. Except as otherwise provided by this subsection, on notice from the
31 department of revenue pursuant to section 42-6010, subsection B, the state
32 treasurer shall withhold from the distribution of monies pursuant to this
33 section to the affected city or town the amount of the penalty for business
34 location municipal tax incentives provided by the city or town to a business
35 entity that locates a retail business facility in the city or town. The
36 state treasurer shall continue to withhold monies pursuant to this subsection
37 until the entire amount of the penalty has been withheld. The state
38 treasurer shall credit any monies withheld pursuant to this subsection to the
39 state general fund as provided by subsection D, paragraph 4 of this section.
40 The state treasurer shall not withhold any amount that the city or town
41 certifies to the department of revenue and the state treasurer as being
42 necessary to make any required deposits or payments for debt service on bonds
43 or other long-term obligations of the city or town that were issued or
44 incurred before the location incentives provided by the city or town.

1 K. On notice from the auditor general pursuant to section 9-626,
2 subsection D, the state treasurer shall withhold from the distribution of
3 monies pursuant to this section to the affected city the amount computed
4 pursuant to section 9-626, subsection D. The state treasurer shall continue
5 to withhold monies pursuant to this subsection until the entire amount
6 specified in the notice has been withheld. The state treasurer shall credit
7 any monies withheld pursuant to this subsection to the state general fund as
8 provided by subsection D, paragraph 4 of this section.

9 L. For the purposes of this section, "community college district"
10 means a community college district that is established pursuant to sections
11 15-1402 and 15-1403 and that is a political subdivision of this state and,
12 ~~subject to the distribution procedures specified in section 15-1472,~~
13 ~~subsection D, paragraph 2, subdivision (b),~~ UNLESS OTHERWISE SPECIFIED,
14 includes a community college district established pursuant to section
15 15-1402.01 and, ~~subject to the distribution procedures specified in section~~
16 ~~15-1472, subsection D, paragraph 2, subdivision (b), includes~~ a provisional
17 community college district established pursuant to section 15-1409.

18 Sec. 6. Section 42-5031.01, Arizona Revised Statutes, is amended to
19 read:

20 42-5031.01. Distribution of revenues for Indian tribal
21 postsecondary educational institutions;
22 definition

23 A. Subject to subsection C of this section, each month the state
24 treasurer shall transmit to the treasurer or other designated depository of
25 each qualifying Indian tribe the amount of transaction privilege tax revenues
26 received pursuant to this article in the preceding month from all sources
27 located on the Indian reservation established for the qualifying Indian tribe
28 as determined pursuant to section 42-5029, subsection A, paragraph 3.

29 B. The monies distributed pursuant to this section are for the
30 exclusive purpose of supporting the maintenance, renewal and capital expenses
31 of one or more community colleges in this state that are owned, operated or
32 chartered by each qualifying Indian tribe on its own Indian reservation.
33 Before receiving any monies under this section, a qualifying Indian tribe
34 shall enter into ~~a~~ AN INITIAL compact with this state ON OR BEFORE SEPTEMBER
35 1, 2012, signed by the governor, to account for the use of monies distributed
36 pursuant to this section. The compact shall:

37 1. Be for a term of at least ten years. After a hearing and review of
38 the compact by the joint legislative budget committee held during the last
39 year of the compact's term, a compact may be renewed for an additional term
40 of up to ten years.

41 2. Require the monies to be used primarily for capital needs including
42 maintenance and renewal of existing facilities at designated community
43 college campuses on the qualifying Indian tribe's own reservation in this
44 state.

